



MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to submit the tenth Quarterly Report from the Office of the Special Inspector General for Iraq Reconstruction (SIGIR). This Report is the product of the collective efforts of SIGIR's auditors, inspectors, and investigators who continue to pursue SIGIR's important mission to advise upon and account for the use of the Iraq Relief and Reconstruction Fund (IRRF). Field work for the Report occurred principally in Iraq, where nearly 50 SIGIR personnel operate daily in perilous conditions to execute comprehensive oversight of the U.S. taxpayers' investment in Iraq.

The Report is divided into four sections. Section 1 presents SIGIR's observations on current issues affecting the U.S.-led program. Section 2 provides sector-by-sector updates on reconstruction progress. Section 3 lays out SIGIR's most recent audit, inspection, and investigative work. And Section 4 summarizes other agency oversight. This Report meets my expectations that SIGIR provide the most comprehensive and accurate reporting available on relief and reconstruction work in Iraq. While the program achieved progress this quarter, it remains a sobering reality that this progress occurred under the pall of an increasingly lethal security environment. There is no avoiding the fact that the fomenting of widespread sectarian conflict in Iraq threatens to significantly forestall progress.

This Report appears just past the midpoint of the Year of Transition in Iraq. In light of that important milestone, SIGIR stresses several key tasks in Section 1 that must be accomplished for transition to succeed: improve security, particularly in Baghdad; increase emphasis on infrastructure sustainment; multilateralize the reconstruction program through an international compact for financial support; control corruption in Iraq's ministries; and build governance capacity at the national and local levels.

The sector reviews in Section 2 include initial looks at the agriculture and private sector development programs. Significantly, Section 2 notes that outputs in the electricity and oil sectors rose above pre-war levels for the first time in over a year. SIGIR's audits and inspections in Section 3 include reviews of the Basrah Children's Hospital, U.S. support of Iraqi anticorruption programs, and an update on the Al Fatah pipeline projects. SIGIR completed its Lessons Learned Report on Iraq Contracting this quarter and will publish its next Lessons Learned Report addressing Program and Project Management later this year.

SIGIR remains committed to meeting the expectations of Congress, the Secretary of State, the Secretary of Defense, and the American taxpayer for timely and usable information on U.S. progress and performance in Iraq reconstruction. Although the IRRF is almost completely obligated, many challenges lie ahead. SIGIR intends to help the U.S. program meet and overcome those challenges.

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